5/17/88 B3500-1 A

ISSN 0015-2757

ECONOMIC INDICATORS

Research Department, First Hawaiian Bank March/April 1988

The Future for Japanese Investment in Hawaii

Japan has emerged as a world economic power. After more than a decade of progressively increasing trade surpluses, and with one of the highest savings rates in the world, Japan has accumulated enough capital to become the world's largest creditor nation. In 1982 Japan invested $57 billion in the purchase of securities, loans, and direct investments in the U.S. By 1986, the total had grown to $272 billion. Japan is already estimated to be financing roughly 35 percent of our total national budget deficit.

The impact of Japanese investment in Hawaii has been enormous. Japanese interests have come to control nearly two-thirds of Hawaii's major hotel properties, and half of all the hotel units in Waikiki—30 percent of all hotel units statewide. More recent trends have led to major acquisitions of other residential and commercial properties in Hawaii.

Recent developments in the world economy have prompted concerns over the long-term prospects for Japanese investment in Hawaii and the United States. While Japanese investors are expected to remain in the U.S. for several years to come, the rate of Japanese investment will be slowing.

The main contributing factor will be a gradual decline in Japan's trade surplus. Constrained by the stronger yen, Japan's exports have begun to decline in the face of increased imports as Japan increasingly opens her doors to bilateral world trade. The restructuring of Japan's economy away from export-led growth toward expansion based on domestic consumer demand will place greater demands on the domestic use of capital rather than its exportation to the U.S. The increasing fiscal role of the Japanese government in stimulating large-scale public works projects as well as social services for an aging population will place greater demands on the domestic use of capital. Changes in the structure of the Japanese economy will therefore lead to lower rates of capital accumulation, and higher domestic demands for the use of that capital.

Changes in Japanese capital markets will alter the incentives to invest domestically as opposed to investing in the U.S. Traditionally, Japanese capital has flowed to the U.S. because of the higher interest rates available here. However, deregulation of Japanese capital markets will allow Japanese financial institutions to offer more competitive yields, providing a greater incentive for investors to keep their money at home. Furthermore, volatility in the American stock market and the risks attached to investment in other foreign capital markets will increase the incentive to keep investment capital in Japan.

Japanese investors have become far more sophisticated in their choice of investments. While it is unlikely that Japanese investment will leave the U.S. entirely, investment patterns will tend to show greater diversity in terms of types of investments and country of investment. Recent trends have shown a clear movement away from longer-term bonds to shorter-term instruments, stocks, real estate, and direct investments in manufacturing and financial services. On a global basis, Japanese investment has been diversifying into European countries, particularly England and West Germany.

Shifts in the exchange rate between the dollar and the yen will also affect Japanese investment. While the fall in the value of the dollar makes prospective investments attractive, it devalues investments already made. Expectations of further declines in the dollar to yen rate have discouraged purchases of U.S. securities since the second half of 1987 and should continue to do so until the dollar shows clear evidence of strengthening. A weakening in the U.S. economy accompanied by a fall in U.S. interest rates would weaken the U.S. dollar and reduce the attractiveness of American investments. Likewise, Japanese investment could be severely hampered if the U.S. were to pass protectionist legislation.

In Hawaii, Japanese investment in real estate is estimated to have hit an all-time high of $6.5 billion in the three years between 1985 and 1987. That constituted 38 percent of the total $17 billion in real estate investments made by Japanese across the country. Historically, the major proportion of Japanese investment has been in hotels (57 percent) and other real estate developments (25 percent). While sales of both commercial and residential properties have remained strong through 1987, the prospects for future growth will be conditioned as much by the availability of inventory for sale as it will be by international economic conditions. Japanese investment patterns have already begun to diversify into other major cities across the country.

In general, overall Japanese investment in the United States can be expected to slow in the years ahead. Capital movements will become more sensitive to short-term fluctuations in general economic conditions, resulting in a far more volatile and competitive market for Japanese capital, and a long-term decline of investment in Hawaii. This increases the need for responsible public policies to monitor the flows and performance of Japanese investment in Hawaii to mitigate the potentially negative effects of increasingly unpredictable movements of Japanese capital resulting from growing uncertainty and volatility in international capital markets.

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MARCH/APRIL FEATURE STORY: FACTORS INFLUENCING JAPANESE TRAVEL TO HAWAII

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CURRENT BUSINESS TRENDS

The Hawaiian economy got off to a slow start in 1988. Tourism, the largest sector of the economy, performed poorly in January. Combined with a slackening in the construction industry and a sugar industry recovering from its worst production year since 1960, conditions point to a less than robust year for the Hawaiian economy in 1988.

However, overall indicators point to robust conditions in the short run. Unemployment for the state, at 3.9 percent, remains at or near full employment levels, and is well below the national average of 5.8 percent. Those unable to find jobs in January declined by 4 percent. This continues the downward trend in the unemployment rate that began two years ago.

Tax collections, continued their double-digit growth, totalled $185 million in January, up by 11 percent from a year ago. Kauai, with the smallest amount collected, $5 million, had the largest increase over January 1987 of 32 percent. Oahu's $163 million in taxes represented an increase of 12 percent, while Hawaii collected $9 million, up 11 percent from a year ago. Maui was the only county to come up short, with its January total of $9 million, 9-percent below January of 1987.

Of the various counties, Oahu had the lowest unemployment rate of 3.6 percent thanks to a 6-percent decrease in the county's unemployed. Maui county was second with a January unemployment rate of 4.3 percent. The number of people unemployed in the county actually increased 5 percent, due to temporary layoffs on Lanai. Maui island's unemployment rate of 3.7 percent is closer to that on Oahu. The Westin Maui's solution to the labor crunch has been successful, and more merchants are turning to Molokai (5.2 percent unemployment) for employees. Kauai, with roughly 1,700 more jobs in the hotel industry,

u. s. economic indicators

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
GROSS NATIONAL PRODUCT**					
In Current Dollars	bil. $	4th Qtr.	4,598	1.6	7.2
In 1982 Dollars	bil. $	4th Qtr.	3,875	1.0	3.8
PERSONAL INCOME**	bil. $	Jan.	3,879p	0.3	6.8
AVERAGE PRIME RATE	percent	Feb.	8.51	−2.7	13.5
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE**	bil. $	Jan.	395.2p	−2.9	2.7
CONSTRUCTION COST INDEXES:					
Residences	1982 = 100	Nov.	120.7	0.4¹	1.8
Apts., Hotels, Office Bldgs.	1982 = 100	Nov.	118.1	0.2¹	1.7
EMPLOYMENT					
CIVILIAN EMPLOYMENT*	thous.	Jan.	121,175	0.4	1.8
UNEMPLOYMENT*	thous.	Jan.	7,046	1.0	−11.5
UNEMPLOYMENT RATE*	percent	Jan.	5.8	0.0	−13.4
PRICES					
CONSUMER PRICE INDEXES:					
Wage Earners and Clerical Workers	1982-84 = 100	Jan.	114.5	0.3	4.1
All Urban Consumers	1982-84 = 100	Jan.	115.7	0.3	4.0
PRODUCER PRICE INDEXES:					
Finished Goods*	1982 = 100	Jan.	106.1	0.4	2.1
All Commodities	1967 = 100	Dec.	311.7	−0.1	4.4

r = revised.
p = preliminary.
¹Compared to September, 1987.
*Seasonally adjusted.
**Seasonally adjusted at annual rates.

business activity in hawaii

GROSS STATE PRODUCT	mil. $	1986	18,054.8 e	.....	7.4
BUSINESS SALES	GROSS				
STATE	mil. $	Jan.	3,210.1	.....	25.0
Oahu	mil. $	Jan.	2,727.2	.....	25.3
Maui County	mil. $	Jan.	194.8	.....	25.8
Hawaii	mil. $	Jan.	212.5	.....	15.3
Kauai	mil. $	Jan.	75.6	.....	43.7
DIVERSIFIED MANUFACTURING	mil. $	Jan.	61.0	.....	24.2
DIVERSIFIED AGRICULTURE	mil. $	Jan.	35.7	.....	46.3
RETAILING	mil. $	Jan.	1,147.8	.....	20.8
WHOLESALING	mil. $	Jan.	864.3	.....	36.3
SERVICES	mil. $	Jan.	693.2	.....	19.0
OAHU NEW CAR SALES	number	Jan.	3,797p	.....	17.1
HONOLULU PRICES					
HONOLULU CONSUMER PRICE INDEX:					
Wage Earners and Clerical Workers	1982-84 = 100	Dec.	116.9	0.1	4.5
All Urban Consumers	1982-84 = 100	Dec.	116.0	0.2	4.6
TOURISM					
VISITOR EXPENDITURES	mil. $	1987	6,500p	.....	17.1
OVERNIGHT OR LONGER VISITORS	number	Jan.	478,320p	−2.8	−1.6
Westbound	number	Jan.	325,720p	−1.2	−8.5
Eastbound	number	Jan.	152,600p	−6.0	17.3
AVERAGE DAILY VISITOR CENSUS	number	Jan.	118,670p	−1.1	−9.2
AVERAGE LENGTH OF STAY	no. of days	Jan.	11.3p	0.0	−0.9
MEETING ATTENDANCE	number	Jan.	38,785	203.1	22.2
ORGANIZED GROUP TOURS	number	Jan.	38,980*	−17.8	−44.1
VISITOR COUNT BY COUNTY²					
Oahu	number	Jan.	225,160p	−2.1	−12.3
Maui County	number	Jan.	143,710p	5.3	−9.8
Hawaii	number	Jan.	65,850p	11.2	−16.8
Kauai	number	Jan.	78,200p	10.1	−6.4

p = preliminary.
e = estimated.
*Group only.
²Compared to September, 1987.
³Estimated Westbound

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
VISITOR ACCOMMODATIONS:					
STATE	number	Feb., 1987	65,318	.....	−1.5
Oahu	number	Feb., 1987	38,815	.....	−0.5
Waikiki	number	Feb., 1987	34,014	.....	−1.8
Maui (Island)	number	Feb., 1987	13,264	.....	−1.4
Molokai	number	Feb., 1987	575	.....	−9.4
Lanai	number	Feb., 1987	10	.....	0.0
Hawaii	number	Feb., 1987	7,328	.....	0.7
Kauai	number	Feb., 1987	5,956	.....	0.6
HOTEL OCCUPANCY:					
STATE	percent	Jan.	76.2	7.3	−7.7
Oahu	percent	Jan.	84.6	8.3	−5.1
Maui (Island)	percent	Jan.	67.2	8.2	−10.0
Hawaii	percent	Jan.	58.1	10.5	−15.1
Kauai	percent	Jan.	55.6	3.0	−17.1
DEFENSE EXPENDITURES					
APPROPRIATED FUNDS TOTAL	mil. $	Yr. to 3rd Qtr.	1,469.4	.....	4.2
Military Payroll	mil. $	Yr. to 3rd Qtr.	649.7	.....	4.0
Civilian Payroll	mil. $	Yr. to 3rd Qtr.	448.8	.....	−1.4
Local Purchases	mil. $	Yr. to 3rd Qtr.	370.9	.....	12.3
SUGAR					
VALUE OF CROP SALES					
(Unprocessed Cane)	mil. $	1986	233.8	.....	5.1
SUGAR PRODUCTION	thous. tons	Jan.	14.9	.....	−5.1
AVERAGE N. Y. RAW SUGAR PRICE	$/ton	Jan.-Feb.	439.4p	.....	1.7
PINEAPPLE					
VALUE OF CROP SALES					
(Fresh Equivalent)	thous. $	1986	99.7	.....	10.2
SHIPMENTS: FRESH	thous. lbs.	Jan.-Feb.	36,395	.....	−6.3
DIVERSIFIED AGRICULTURE					
CROPS	thous. $	1986	147,734	.....	11.4
FLOWERS & NURSERY PRODUCTS	thous. $	1986	49,094	.....	11.2
Anthurium Outshipments³	th. dozens	Dec.	127.2	14.3	−21.5
Potted Foliage Plants	thous. $	1986	12,931	.....	7.6
FRUITS & NUTS	thous. $	1986	51,806	.....	19.8
Papaya Sales	th. lbs.	Jan.	4,010	−29.8	0.3
Average Farm Price	cents/lb.	Jan.	17.0	21.4	−13.3
Macadamia Nut Sales (in shell)	th. lbs.	1987	46,500	.....	−0.2
Average Farm Price	cents/lb.	1987	78.1	.....	−2.4
VEGETABLES AND MELONS⁴	th. lbs.	Feb.	7,463p	.....	−15.8
LIVESTOCK	thous. $	1986	83,429	.....	0.7
BEEF PRODUCTION (Dressed Wt.)	th. lbs.	Dec.	2,959	−10.8	2.0
Average Farm Price (Feedlot Beef)	cents/lb.	Dec.	87.5	2.9	1.2
HOG PRODUCTION (Dressed Wt.)	th. lbs.	Dec.	670	33.7	−12.0
Average Farm Price	cents/lb.	Dec.	105.0	1.4	1.9
MILK PRODUCTION	mil. lbs.	Jan.	12.0	.....	−3.7
Average Price Sold to Plants	$/100 lbs.	Jan.	21.10	1.2	2.8
EGG PRODUCTION	mil.	Jan.	19.2	.....	3.2
Average Farm Price	cents/doz.	Jan.	81.5	1.2	1.2
PUBLIC UTILITIES					
ELECTRICITY GENERATED	mil. kwh.	Jan.-Feb.	1,286.7	.....	8.7
GAS SALES	th. therms.	Jan.-Feb.	8,855	.....	1.3
TELEPHONE LINES IN SERVICE	thous.	Jan.-Feb.	508.8	.....	5.4

p = preliminary.
³From Hawaii County.
⁴Includes snap beans, cabbage, celery, sweet corn, cucumbers, onions, green peppers, tomatoes, and watermelons.

has seen its unemployment rate fall from 5 percent in January of 1987 to 4.4 percent this year. Hawaii remains the county with the highest unemployment in the state at 5.6 percent. However, that is lower than the 6.3-percent levels of a year ago, and represents a 12-percent increase in people employed.

The state's number one industry, tourism, slipped in January. Total visitors coming to the islands in the first month of 1988 totalled 478,320, down by 2 percent from 1987. This is the first January decline for the visitor industry since 1983, when it fell by 3 percent from the previous year. Travelers from the mainland decreased by 18 percent, which is the worse decline since the United Airlines strike jolted the visitor industry in 1985. This drastic decline was offset by an increase in visitors from Canada, up by 11 percent, and a strong showing from the eastbound market. Visitors from the Far East, mostly Japan, totalled 152,500, an increase of 17 percent.

The impact of the decline in the westbound market is evident at the county level where only westbound visitors are counted. Every island endured a decline in January. Hawaii was the hardest hit with visitors dropping from 79,110 persons in 1987 to 65,850 persons in 1988, a 17-percent decline. Oahu and Maui registered 12 and 10 percent fewer westbound visitors than a year ago. Kauai sustained a 6-percent decline. Not since the recession year of 1981 has the visitor count for every county gone down from the previous year.

Hotel occupancies likewise declined in January. Overall, the state hotel occupancy was 76 percent, down 8 percent from the previous year. Oahu had the high of 85 percent, a 5-percent decline from 1987. Maui's January occupancy rate slipped by 10 percent for the second straight year to 67 percent. Hawaii's 58-percent occupancy rate was 15 percent lower than last year. Only half of Kauai's hotel rooms were filled in January, a 17-percent drop.

The construction industry in Hawaii had a banner year in 1987 taking over the military as the number two sector in terms of expenditures. The total value of construction put-in-place came to $2.1 billion for the year. That represented an annual growth rate of 19 percent. However, preliminary indications point to a slowdown in construction in the months ahead. On Oahu, private permits authorized in January for residential construction were down by 34 percent from 1987, while nonresidential construction permits slipped by 65 percent. Both single-family and multi-

family units were showing declines in the number of permits of 69 and 95 percent, respectively. On the Big Island there will be a shift from commercial to residential construction. Permits issued for nonresidential construction were down by 79 percent in value from last January, and resident permit value was up by 37 percent over last January. Kauai will witness increased construction in both markets in the future. Permit value is up by 13 percent for residential projects and up by 65 percent for nonresidential projects.

Public-sector construction statewide remained stable through the first two months of 1988. As of February, total contracts awarded totalled $70 million, roughly 1 percent down from 1987. Of the three levels of government, federal contracts saw the strongest increase, growing by 94 percent to $18 million. State contracts, however, fell by 34 percent to $24 million, while county contracts increased by 12 percent to $27 million. Of the various counties, Maui saw the strongest increase of 106 percent to $13 million after a very sluggish year in 1987. Oahu also saw healthy growth of 7 percent to $55 million of public-sector construction. Both Hawaii and Kauai, however, saw sluggish growth in public-sector construction compared to 1987.

The real-estate industry continued to show strong growth. Statewide, resales of single family units increased by 20 percent to 530 units, while condominium resales increased by 38 percent to 877 units as of February. Prices also saw strong increases as the average single-family-unit price rose by 23 percent to $292,000 and condominium prices increased by 26 percent to $150,000.

Agriculture in Hawaii did not fare well in January. The sugar industry, coming off its worse production year in almost three decades, suffered its ninth monthly decline in production bringing in 14,930 tons, 5 percent below production from a year ago. Pineapple shipments were also down from a year ago, with the January-February total of 36 million pounds down 6 percent.

Diversified agriculture did not do well either in January. Papaya sales were flat, while the average farm price fell 13 percent. Vegetable and melon production was down 19 percent. Anthurium outshipments were down by 22 percent in December, and down by 16 percent for all of 1987.

Despite this sluggish start by most of the sectors in the economy, a recession in 1988 is unlikely. High employment levels and continued healthy tax collections point to a solid foundation from which the Hawaiian economy can grow in 1988.

business activity in hawaii [cont.]

Series		Unit	Period	Number	Percent Change preceding period	Percent Change year ago
CONSTRUCTION PUT IN PLACE						
STATE:		mil. $	Jan.	227.6	.....	34.4
Oahu		mil. $	Jan.	200.2	.....	34.2
Maui County		thous. $	Jan.	13,233	.....	57.8
Hawaii		thous. $	Jan.	9,611	.....	2.8
Kauai		thous. $	Jan.	4,546	.....	85.6
HONOLULU CONSTRUCTION COST INDEXES						
SINGLE FAMILY		1982 = 100	Feb.	131.3	−1.5	6.5
HIGH-RISE		1982 = 100	Feb.	126.1	−0.2	6.1
PRIVATE PERMITS AUTHORIZED						
STATE:	RESIDENTIAL	thous. $	Jan.-Nov. 87	621,124	.....	22.1
	Single Family Units	number	Jan.-Nov. 87	5,698	.....	38.7
	Multiple Family Units	number	Jan.-Nov. 87	1,459	.....	−43.3
	NONRESIDENTIAL	thous. $	Jan.-Nov. 87	474,124	.....	5.9
OAHU:	RESIDENTIAL	thous. $	Jan.	18,646	.....	−33.7
	Single Family Units	number	Jan.	78	.....	−68.9
	Multiple Family Units	number	Jan.	7	.....	−95.3
	NONRESIDENTIAL	thous. $	Jan.	12,909	.....	−65.2
MAUI CO.:	RESIDENTIAL	thous. $	Jan.-Nov. 87	100,701	.....	0.7
	Single Family Units	number	Jan.-Nov. 87	1,052	.....	23.8
	Multiple Family Units	number	Jan.-Nov. 87	596	.....	18.3
	NONRESIDENTIAL	thous. $	Jan.-Nov. 87	50,250	.....	13.5
HAWAII:	RESIDENTIAL	thous. $	Jan.	8,168	.....	36.7
	Single Family Units	number	Jan.	102	.....	−4.7
	Multiple Family Units	number	Jan.	6	.....	—
	NONRESIDENTIAL	thous. $	Jan.	703	.....	−78.7
KAUAI:	RESIDENTIAL	thous. $	Jan.	5,466	.....	12.7
	Single Family Units	number	Jan.	48	.....	6.7
	Multiple Family Units	number	Jan.	0	.....	0.0
	NONRESIDENTIAL	thous. $	Jan.	984	.....	65.1
PUBLIC CONTRACTS AWARDED						
STATE		thous. $	Jan.-Feb.	69,712	.....	−0.9
Oahu		thous. $	Jan.-Feb.	55,179	.....	6.6
Maui County		thous. $	Jan.-Feb.	13,148	.....	105.7
Hawaii		thous. $	Jan.-Feb.	549	.....	−92.5
Kauai		thous. $	Jan.-Feb.	835	.....	−82.9
BY LEVEL OF GOVERNMENT:						
Federal		thous. $	Jan.-Feb.	18,160	.....	94.3
State		thous. $	Jan.-Feb.	24,218	.....	−33.8
County		thous. $	Jan.-Feb.	27,334	.....	12.1
REAL ESTATE RESALES						
STATE:	Single Family	number	Jan.-Feb.	530	.....	19.9
	Average Price	dollars	Jan.-Feb.	262,928	.....	31.5
	Condominium	number	Jan.-Feb.	877	.....	38.5
	Average Price	dollars	Jan.-Feb.	150,483	.....	26.4
OAHU:	Single Family	number	Jan.-Feb.	334	.....	21.0
	Average Price	dollars	Jan.-Feb.	319,079	.....	39.9
	Condominium	number	Jan.-Feb.	640	.....	48.1
	Average Price	dollars	Jan.-Feb.	150,317	.....	32.6
MAUI CO.:	Single Family	number	Jan.-Feb.	85	.....	3.7
	Average Price	dollars	Jan.-Feb.	203,594	.....	8.8
	Condominium	number	Jan.-Feb.	157	.....	−4.8
	Average Price	dollars	Jan.-Feb.	164,558	.....	26.2
HAWAII:	Single Family	number	Jan.-Feb.	81	.....	28.6
	Average Price	dollars	Jan.-Feb.	124,536	.....	8.0
	Condominium	number	Jan.-Feb.	28	.....	27.3
	Average Price	dollars	Jan.-Feb.	126,038	.....	−21.2
KAUAI:	Single Family	number	Jan.-Feb.	20	.....	−4.8
	Average Price	dollars	Jan.-Feb.	269,325	.....	100.2
	Condominium	number	Jan.-Feb.	52	.....	271.4
	Average Price	dollars	Jan.-Feb.	123,185	.....	19.4

n.a. = not available.

population in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
POPULATION					
STATE:					
Total De Facto Population	thous.	July 1, 1986	1,178.8	.....	2.3
Total Resident Population	thous.	July 1, 1986	1,062.3	.....	0.8
OAHU:					
Total De Facto Population	thous.	July 1, 1986	877.3	.....	1.4
Total Resident Population	thous.	July 1, 1986	816.7	.....	0.7
MAUI COUNTY:					
Total De Facto Population	thous.	July 1, 1986	110.0	.....	−4.8
Total Resident Population	thous.	July 1, 1986	87.6	.....	2.7
HAWAII:					
Total De Facto Population	thous.	July 1, 1986	120.0	.....	3.6
Total Resident Population	thous.	July 1, 1986	111.8	.....	2.4
KAUAI:					
Total De Facto Population	thous.	July 1, 1986	60.3	.....	8.5
Total Resident Population	thous.	July 1, 1986	46.4	.....	3.6
CIVILIAN RESIDENT POPULATION:					
STATE	thous.	July 1, 1986	1,004.2	.....	0.7
MILITARY PERSONNEL:					
STATE	number	July 1, 1986	58,584	.....	1.0
Ashore	number	July 1, 1986	53,616	.....	−0.4
Afloat	number	July 1, 1986	4,968	.....	19.5
CIVILIAN MILITARY DEPENDENTS	number	July 1, 1986	66,210	.....	3.0
FOREIGN IMMIGRATION[1]	number	Jan.	297	.....	−3.9

p = preliminary.
[1]Includes only those entering Honolulu ports and does not include status changes.

income in hawaii

INCOME					
TOTAL PERSONAL INCOME**	mil. $	3rd Qtr.	17,053	1.5	6.7
EMPLOYMENT INCOME[1]	mil. $	3rd Qtr.	12,843	1.5	7.5
Manufacturing	mil. $	3rd Qtr.	583	3.6	6.4
Construction & Mining	mil. $	3rd Qtr.	897	−1.3	11.3
Wholesale	mil. $	3rd Qtr.	503	1.6	8.4
Retail	mil. $	3rd Qtr.	1,465	8.0	1.2
Finance, Ins., & Real Estate	mil. $	3rd Qtr.	928	0.0	9.4
Trans., Comm., & Util.	mil. $	3rd Qtr.	1,091	1.3	10.8
Services	mil. $	3rd Qtr.	3,267	3.7	9.1
Farm & Other	mil. $	3rd Qtr.	434	−3.1	8.2
Federal Civilian	mil. $	3rd Qtr.	983	1.3	3.1
Federal Military	mil. $	3rd Qtr.	1,345	0.0	3.5
State & Local	mil. $	3rd Qtr.	1,341	0.1	3.6
PROPERTY INCOME (Dividends, Interest, & Rent)	mil. $	3rd Qtr.	2,469	1.9	4.8
TRANSFER PAYMENTS (2,546) minus Personal Contributions for Social Insurance (805)	mil. $	3rd Qtr.	1,741	0.9	3.7
PER CAPITA PERSONAL INCOME:					
STATE	dollars	1986	14,691	.....	6.1
Oahu	dollars	1984	13,709	.....	5.7
Maui County	dollars	1984	11,611	.....	5.9
Hawaii	dollars	1984	9,998	.....	5.2
Kauai	dollars	1984	10,564	.....	6.9

**Total personal income and all components are seasonally adjusted at annual rates.
[1]Includes wage and salary disbursements, proprietors' income, and other labor income.
p = preliminary.

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FACTORS INFLUENCING JAPANESE TRAVEL TO HAWAII

In November 1987, for the first time, the millionth Japanese visitor of the year arrived in the islands. This indicates the increasing number of Japanese visitors coming to Hawaii and their growing economic importance to the state economy. Japan is Hawaii's second largest visitor market, and, though the Japanese make up only one-sixth of the visitor count, they are responsible for one-third of total visitor expenditures. Hawaii's appeal to the Japanese can be traced to several factors. While stable economic conditions in Japan and the strengthening yen encourage travel abroad, Hawaii's multi-ethnic local flavor make it a prime destination for the Japanese traveler.

Typically, Japanese visitors are young, between the ages of 20 and 29. Most stay for about a week, primarily in hotels. More than three-quarters are employed in a white collar profession, and are visiting the islands for pleasure, not business. They usually have incomes exceeding $30,000, and are in the mainstream of Japan's prosperous economy.

The prosperity of Japan's economy since World War II is well documented. In the period from 1970 to 1986, Japan's gross national product rose 96 percent for an annual average growth rate of six percent compared to three percent for the U.S. Personal income has been rising, and unemployment has remained low. Japan suffers from high prices for most consumer goods, but overall, the standard of living has been improving. With the average Japanese consumer possessing more discretionary income and more free time to spend it, the demand for leisure activity has increased. One of the outlets for this increased demand is foreign travel.

Hawaii has benefitted directly from this surge in demand. Between 1970 and 1986, annual visitor arrivals from Japan increased by 600 percent from 131,500 to 932,000 visitors per year. The record-setting performance of Hawaii's visitor industry in 1987 is due to the strong showing of the eastbound market, which grew by 18 percent over 1986, and offset a one-percent decline in westbound arrivals. Of the 1.6 million visitors coming from the East, approximately 1.2 million were from Japan.

As these figures reflect, Hawaii is the favorite destination of the Japanese. A 1985 breakdown of overseas destinations shows Hawaii to be more popular than Asian countries such as Taiwan, European countries like France, and other Pacific Basin countries like Au-

stralia. In 1985, 855,000 Japanese came to Hawaii, 38 percent more than went to Taiwan, 439 percent more than visited France, and 935 percent more than travelled to Australia.

Hawaii's natural beauty is the main attraction for Japanese tourists. Surveys reveal sight-seeing as the number one reason why 34 percent of the respondents visited Hawaii. A study on Japanese visitors in the first quarter of 1987 identified 69 percent either satisfied or very satisfied with what they saw in Hawaii.

Hawaii's unique multi-ethnic culture and cosmopolitan atmosphere also attract Japanese visitors who come from a more homogeneous society. In fact, Hawaii's popularity may be a disadvantage in the long run. As more Japanese tourists come each year it will dilute the international atmosphere of the islands. Some Japanese visitors have already complained about too many other Japanese visitors at their hotels.

All of these local attractions would be wasted if nobody in Japan knew about them, but the Hawaii Visitors Bureau (HVB) has been very effective in "selling" Hawaii. In fiscal 1985-1986, 72 percent or $4,731,600 of HVB's total budget was devoted to marketing Hawaii abroad. Increased emphasis was placed on the Japanese market with a focus on honeymoon travelers and senior citizens. In fiscal 1986-1987 HVB continued to target the honeymoon and senior citizen market. Out of an $8.5 million budget, $1.6 million was set aside specifically for marketing in the Asia/Pacific region. These efforts have been rewarded with a record number of Japanese visitors in 1987.

Another reason for the high Japanese visitor count is the increasing value of the yen against the dollar. Generally this appears to be the case as the 600-percent increase in arrivals during 1970-1986 was accompanied by a 114-percent appreciation of the yen. There were several occasions during this 17-year period, however, when exchange-rate considerations did not play a significant role in decisions to visit Hawaii. In 1980 the yen lost eight percent of its value since 1978, but visitors from Japan increased 10 percent. Most recently, in 1982 the yen was 13 percent weaker than the previous year and three percent more Japanese came to Hawaii.

Hotel room rates seem to have even less impact on Japanese travel decisions than the value of their currency. While a major traveling expense, increases in daily room rates have not had a detrimental effect on visitor counts. The average hotel room rate in Hawaii went from $19.80 in 1972 to $73.20 in 1986, a 270-percent increase. This has not deterred the Japanese from coming to Hawaii as 297 percent more visitors came to Hawaii in 1986 than in 1972.

The increase in room rates has not sent Japanese packing to alternative destinations either. Pacific Basin resorts have historically had lower hotel-room rates than Hawaii, but not the volume of traffic. In 1975 there was a one-percent difference between Hawaii hotel-room rates and the average room rates of other Pacific Basin destinations, and 188,000 Japanese came to Hawaii. In 1985, the split had grown to four percent, and 855,000 Japanese tourists visited Hawaii. That year, Taiwan, the second most popular Pacific Basin destination, attracted 618,511 Japanese visitors, 38 percent fewer than Hawaii. Even with lower room rates and shorter geographical distances, other Pacific Basin countries could not compete with Hawaii as a Japanese vacation destination.

Hawaii outperformed these other destinations again in 1987. It is estimated that one out of every six Japanese traveling abroad came to Hawaii last year for a total of 1.2 million Japanese visitors. Hawaii is the first foreign destination to attract over a million Japanese tourists in one year.

The future looks optimistic for a continuation of this Japan-Hawaii connection. HVB forecasts the Japanese-led eastbound market will again outpace the westbound market in 1988. A 7- to 10-percent increase is expected in the eastbound market next year as opposed to a 0- to 3-percent increase for the westbound market. A forecast by the Japanese government shows Japanese visitors to Hawaii will double by 1991 to over two million visitors. Subtle changes will occur during that time. Japanese tourists will be older on average than they are now due to the aging of the Japanese population. Japanese visitors will also be more inclined to travel free and independently rather than in groups as they become better informed about Hawaii, and the repeat visitor becomes more prevalent.

As the Japanese traveler goes through this transition, the factors influencing Japanese travel to Hawaii will likely undergo some change. The yen/dollar exchange rate may play a more significant role in the future. Hawaii's cosmopolitan atmosphere, which is a strong attracting force now, may be less important in the future. Whatever the changes, it appears that in the short run, Hawaii will continue to be an appealing place for Japanese to invest in, and to visit.

employment and jobs in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
EMPLOYMENT					
STATE:					
Civilian Labor Force	thous.	Jan.	523.0p	−0.3	9.0
Employment	thous.	Jan.	502.6p	−0.4	9.6
Unemployment	thous.	Jan.	20.4p	2.0	−4.2
Unemployment Rate	percent	Jan.	3.9p	2.6	−11.4
OAHU:					
Civilian Labor Force	thous.	Jan.	389.8p	−0.6	8.4
Employment	thous.	Jan.	375.9p	−0.7	9.1
Unemployment	thous.	Jan.	14.0p	2.9	−6.0
Unemployment Rate	percent	Jan.	3.6p	−5.3	−12.2
MAUI COUNTY:					
Civilian Labor Force	thous.	Jan.	51.9p	0.0	7.0
Employment	thous.	Jan.	49.7p	0.4	7.3
Unemployment	thous.	Jan.	2.3p	−4.2	4.5
Unemployment Rate	percent	Jan.	4.3p	−4.4	−6.5
HAWAII:					
Civilian Labor Force	thous.	Jan.	54.9p	1.3	11.4
Employment	thous.	Jan.	51.9p	0.8	12.1
Unemployment	thous.	Jan.	3.1p	14.8	0.0
Unemployment Rate	percent	Jan.	5.6p	12.0	−11.1
KAUAI:					
Civilian Labor Force	thous.	Jan.	26.5p	0.8	17.8
Employment	thous.	Jan.	25.3p	1.6	18.2
Unemployment	thous.	Jan.	1.2p	−14.3	−72.7
Unemployment Rate	percent	Jan.	4.4p	−13.7	−12.0
JOB COUNT BY INDUSTRY					
TOTAL JOBS—STATE	thous.	Jan.	512.8p	−1.2	5.5
SUGAR (Mill and Field)	thous.	Jan.	6.9p	1.5	−4.2
PINEAPPLE (Cannery and Field)	thous.	Jan.	3.6p	−2.7	9.1
DIVERSIFIED MANUFACTURING (Excluding Sugar and Pineapple)	thous.	Jan.	17.1p	−0.6	2.4
Durable Goods	thous.	Jan.	4.1p	−2.4	5.1
Non-Durable Goods	thous.	Jan.	13.0p	−0.8	1.6
Apparel and Textiles	thous.	Jan.	3.0p	−3.2	−3.2
DIVERSIFIED AGRICULTURE (Excluding Sugar And Pineapple, but including Agricultural Self-Employed)	thous.	Jan.	8.2p	−1.2	5.1
CONTRACT CONSTRUCTION	thous.	Jan.	20.2p	−0.5	−6.5
TRANSPORTATION	thous.	Jan.	26.6p	−2.6	8.6
COMMUNICATION	thous.	Jan.	7.4p	0.0	4.2
UTILITIES	thous.	Jan.	2.7p	0.0	3.8
RETAIL TRADE	thous.	Jan.	104.5p	−2.2	6.0
WHOLESALE TRADE	thous.	Jan.	20.6p	0.0	6.7
FINANCE, INSURANCE AND REAL ESTATE	thous.	Jan.	34.2p	−0.3	3.0
HOTEL SERVICES—STATE	thous.	Jan.	32.7p	0.9	8.3
Oahu	thous.	Jan.	17.3p	0.0	1.2
Maui County	thous.	Jan.	7.2p	1.4	7.5
Hawaii	thous.	Jan.	4.1p	2.5	0.0
Kauai	thous.	Jan.	4.2p	2.4	68.0
OTHER SERVICES	thous.	Jan.	96.3p	−1.2	6.2
FEDERAL GOVERNMENT	thous.	Jan.	32.9p	−0.3	2.5
Civilian Agencies	thous.	Jan.	12.8p	−1.5	5.8
Defense Department	thous.	Jan.	20.2p	0.5	1.0
STATE GOVERNMENT	thous.	Jan.	50.3p	−4.9	2.4
COUNTY GOVERNMENT	thous.	Jan.	13.3p	2.3	3.9
NON-AGRICULTURE SELF-EMPLOYED	thous.	Jan.	35.7p	2.9	21.4
UNEMPLOYMENT INSURANCE					
INSURED UNEMPLOYMENT (Weekly Average)	number	Feb.	8,230	23.0	9.5
INTRASTATE INITIAL CLAIMS	number	Feb.	4,789	−16.2	22.1
INTERSTATE INITIAL CLAIMS	number	Feb.	272	−27.9	−1.1
UNEMPLOYMENT INSURANCE BENEFITS	thous. $	Feb.	4,693	12.1	24.6

p = preliminary.
Count of recipients is duplicated. A person may be counted in each category.

public assistance in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
PUBLIC ASSISTANCE					
INCOME MAINTENANCE:					
Recipients*	no./persons	Feb.	48,277	−1.3	−7.4
Payments	thous. $	Jan.-Feb.	16,464	.....	13.8
MEDICAL ASSISTANCE:					
Recipients*	no./patients	Feb.	42,495	−1.0	−8.0
Payments	thous. $	Jan.-Feb.	26,647	.....	5.9
FOOD STAMPS:					
Recipients*	no./persons	Dec.	79,191	−3.2	−8.4
Payments	thous. $	Dec.	6,892	.....	−4.7
SERVICES:					
Recipients*	no./cases	4th Qtr.	7,408	−1.5	−2.6
Payments	thous. $	Yr. to 4th Qtr.	19,490	.....	8.3

Count of recipients is duplicated. A person may be counted in each category.

banking and finance in hawaii

FINANCE					
COMMERCIAL BANK DEPOSITS:					
STATE:					
Total Deposits	mil. $	Dec.	9,421.9	−2.7	9.8
Debits To Demand Deposits	mil. $	Dec.	11,£10.6	.....	−4.5
OAHU:					
Total Deposits	mil. $	Dec.	7,895.5	2.8	10.1
Debits To Demand Deposits	mil. $	Dec.	10,735.6	.....	−5.4
MAUI COUNTY:					
Total Deposits	mil. $	Dec.	604.8	3.4	9.7
Debits To Demand Deposits	mil. $	Dec.	461.7	.....	2.6
HAWAII:					
Total Deposits	mil. $	Dec.	625.6	0.8	6.7
Debits To Demand Deposits	mil. $	Dec.	426.1	.....	9.6
KAUAI:					
Total Deposits	mil. $	Dec.	296.0	2.3	8.2
Debits To Demand Deposits	mil. $	Dec.	187.2	.....	4.8
BANK LOANS OUTSTANDING—STATE*	mil. $	4th Qtr.	5,727.0	4.5	13.1
Real Estate	mil. $	4th Qtr.	2,495.2	3.4	18.9
Consumer	mil. $	4th Qtr.	1,086.7	3.7	0.2
Commercial & Industrial	mil. $	4th Qtr.	1,713.5	5.4	15.3
Other	mil. $	4th Qtr.	304.9	8.0	−7.2
CONVENTIONAL HOME MORTGAGE RATES: HONOLULU	percent	Dec.	9.6	5.5	0.0
SAVINGS & LOAN ASSOCIATIONS:*					
TOTAL DEPOSITS	mil. $	Dec.	3,880.0	1.6	9.0
TOTAL LOANS	mil. $	Dec.	107.1	14.7	−45.7
MORTGAGE LOANS	mil. $	Dec.	96.5	13.1	−45.0
TAX COLLECTIONS:*					
STATE	thous. $	Jan.	185,451	4.9	11.2
Oahu	thous. $	Jan.	162,536	7.6	12.1
Maui County	thous. $	Jan.	9,301	−15.5	−8.8
Hawaii	thous. $	Jan.	9,060	−10.2	11.3
Kauai	thous. $	Jan.	4,554	−1.2	32.0

*Figures contain domestic balances only.
*Includes Hawaii and Guam. Reporting categories changed in July, 1985.
*Taxes collected by the State Department of Taxation. Excludes property taxes which were formerly collected by the State but are now collected by the Counties.

ECONOMIC INDICATORS

A Bimonthly Report on Current Economic Conditions in Hawaii
by the Research Department, First Hawaiian Bank
P.O. Box 3200; Honolulu, Hawaii; 96847

March/April 1988

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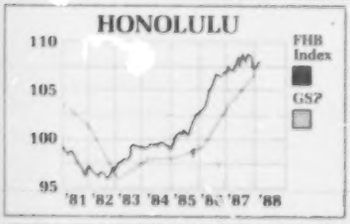
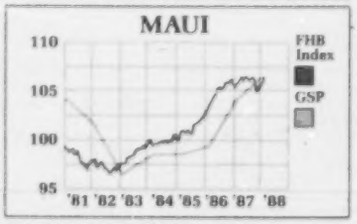
STATE OF HAWAII

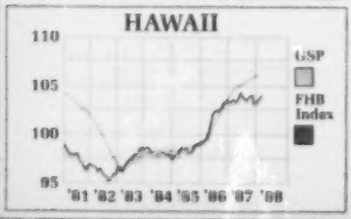
HONOLULU



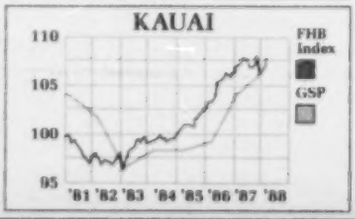
MAUI



HAWAII



KAUAI



FIRST HAWAIIAN BANK INDEX OF LEADING ECONOMIC INDICATORS

The First Hawaiian Bank Index of Leading Economic Indicators rebounded by 0.8 percent in January after a 2-percent decline over the prior three months. Of the five base index components, average workweek hours, Hawaiian stocks, and Federal money supply increased, while the average prime rate held steady and the consumer price index dropped. Public contracts awarded, credit demand, and unemployment insurance claims were also strong contributors to January's increase. Each of the four county indices showed moderate increases for January. The Honolulu index increased in terms of average workweek hours and building permits, but declined in employment and credit demand. Maui saw gains in employment, public contracts awarded, and visitor counts, but sustained declines in credit demand and building permits. On the Big Isle gains in credit demand were offset by a drop in employment. Kauai was bolstered by strong visitor numbers and credit demand, while the other indices remained stable.

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